

Alternative Fuel Vehicles and Alternative Motor Fuel Tax Concessions

Social Service Tax Act and Motor Fuel Tax Act

This bulletin provides specific information on tax concessions for alternative fuel vehicles and alternative fuels from the social service tax, also called the provincial sales tax (PST), and the motor fuel tax.

For details on calculating the PST reduction, please see [Bulletin SST 087](#), *Alternative Fuel Vehicles: Calculating the Tax Reduction*.

Effective February 20, 2008, qualifying new gasoline or diesel powered fuel efficient vehicles will receive a point-of-sale PST reduction. For more information, including which 2007 and 2008 vehicle models qualify, their fuel efficiency ratings and the amount of the PST reduction, please see the [Notice to Motor Vehicle Dealers: PST Reduction for Qualifying Fuel Efficient Vehicles](#).

For general PST information that applies to all businesses, such as who needs to register, when general exemptions apply, and how to charge and collect the PST, please read our [Small Business Guide to Provincial Sales Tax \(PST\)](#).

Table of Contents

Social Service Tax Concessions	1
Motor Fuel Tax Concessions	7

The revision bar (|) identifies changes to the previous version of this bulletin dated March 2007.

Social Service Tax Concessions

Alternative Fuel Vehicles

An **alternative fuel vehicle** is a motor vehicle, not including a multi-jurisdictional vehicle or two-wheeled vehicle other than a two-wheeled vehicle manufactured to operate exclusively on electricity (e.g. electric motorcycles and scooters), that:

- (a) is manufactured to operate:
 - exclusively on electricity, ethanol, methanol, natural gas or propane,
 - as a hybrid electric vehicle (see section below, Hybrid Electric Vehicles),
 - as a hydrogen fuel-cell bus (see section below, Hydrogen Fuel-Cell Buses), or
 - as a bi-fuel vehicle that has two separate fuel storage tanks so the vehicle can be propelled by an alternative fuel, other than electricity, (ethanol, methanol, natural gas or propane) or by gasoline or diesel fuel;

and

- (b) is a new vehicle (i.e., has not, since its manufacture, been sold or leased at a retail sale or retail lease),
- (c) is designed to be operated on a highway and is, or will be, licensed for use on a highway, and
- (d) meets the standards prescribed under the *Motor Vehicle Safety Act* (Canada).

Hybrid Electric Vehicles

A hybrid electric vehicle is a motor vehicle that has both an internal combustion engine and an electric motor, and that is:

- (a) designed to automatically shut off the engine while idling, braking or coasting (commonly referred to as "idle stop"),
- (b) designed to capture and store electricity generated during braking (commonly referred to as "regenerative braking"), and
- (c) capable of sustained propulsion either:
 - simultaneously by the internal combustion engine and the electric motor, **or**
 - solely by the electric motor, operating on electricity generated by the internal combustion engine.

Please note that torque smoothing does not qualify as sustained propulsion.

Some vehicles referred to by manufacturers and in advertisements as "hybrid electric vehicles" DO NOT qualify for the tax reduction. To qualify for the tax

reduction as a hybrid electric vehicle, the vehicle must meet the criteria listed above.

Hydrogen Fuel-Cell Buses

A hydrogen fuel-cell bus is a passenger bus (i.e. a bus with a seating capacity of 30 or more passengers) whose primary source of power is a fuel-cell system that chemically combines hydrogen and oxygen to generate electricity for the bus's electric-drive motors.

Tax Rate Adjustment

Alternative fuel vehicles that are passenger vehicles are eligible for a reduction in the price of the vehicle for the determination of the applicable tax rate. Passenger vehicles are motor vehicles designed primarily as a means of transport for individuals including cars, station wagons, motorcycles (greater than 250 cc), and trucks and vans to $\frac{3}{4}$ ton. Buses and larger trucks (over $\frac{3}{4}$ ton) are not included.

As the cost of an alternative fuel passenger vehicle is generally higher than the cost of comparable gasoline or diesel models, these vehicles may therefore be subject to a higher rate of tax applicable to vehicles priced at \$55,000 or more. This concession allows the price of a vehicle to be reduced by \$7,000 in order to calculate a reduced price for the vehicle that, in turn, is used to determine the applicable tax rate (7%, 8%, 9% or 10%).

The tax rate adjustment for alternative fuel vehicles that are passenger vehicles will be eliminated on April 1, 2011.

Point of Sale Tax Reduction

Alternative fuel vehicles are new bi-fuel, hybrid electric and other vehicles manufactured to operate exclusively on electricity, ethanol, methanol, natural gas or propane. Alternative fuel vehicles also include hydrogen fuel-cell buses and qualifying electric motorcycles or scooters. Qualifying alternative fuel vehicles have in the past been eligible for a refund of all or a portion of the tax paid on the purchase or lease of the vehicle.

Effective February 16, 2005, the refund is replaced with a point of sale tax reduction. This means that you may obtain the benefit of the tax reduction at the time of purchasing or leasing a qualifying vehicle rather than applying for a refund after the sale or lease has taken place.

Alternative fuel vehicles eligible for the point of sale tax reduction on, or after, February 16, 2005, that were purchased or leased before this date remain eligible for the tax refund.

The point of sale tax reduction applies to purchases and leases of hydrogen fuel-cell buses and qualifying electric motorcycles and scooters that take place on, or after, February 20, 2008 and before April 1, 2011. Purchases or leases of these vehicles before this date are not eligible for a tax refund.

Motor vehicle dealers are provided with information on eligible vehicles and on procedures for providing the tax reductions at the time of sale or lease.

Amount of the Tax Reduction

The amount and effective start date of the tax reduction varies depending on the type of alternative fuel vehicle purchased or leased as shown in the table below.

Qualifying Alternative Fuel Vehicle	Tax Reduction	From	To (inclusive)
Hydrogen fuel-cell buses	50% of the tax payable to a maximum of \$10,000	February 20, 2008	March 31, 2011
Electric motorcycles or scooters	50% of the tax payable to a maximum of \$1,000	February 20, 2008	March 31, 2011
Hybrid electric vehicles	100% of the tax payable to a maximum of \$2,000	February 16, 2005	March 31, 2011
Alternative fuel shuttle buses	50% of the tax payable to a maximum of \$5,000	February 16, 2005	March 31, 2011
Alternative fuel passenger buses	50% of the tax payable to a maximum of \$10,000	February 16, 2005	March 31, 2011
All other qualifying alternative fuel vehicles	50% of the tax payable to a maximum of \$1,000	February 16, 2005	March 31, 2011

For more information, please see [Bulletin SST 087](#), *Alternative Fuel Vehicles: Calculating the Tax Reduction*.

Refunds for Alternative Fuel Vehicles Prior to February 16, 2005

If you purchased or leased an alternative fuel vehicle, other than a hydrogen fuel-cell bus or qualifying electric motorcycle or scooter, prior to February 16, 2005, you may claim a partial refund from the ministry. The refund amount is 30% of the tax paid, to a maximum of \$1,000, \$5,000 or \$10,000 depending on the type of vehicle.

For eligible alternative fuel vehicles, *except passenger or shuttle buses*, the refund is the lesser of:

- 30% of the tax paid on the purchase or lease of the vehicle, or
- \$1,000 after July 31, 2001 (\$500 prior to July 31, 2001).

For *alternative fuel shuttle buses* (seating capacity of 14 to 29 passengers), purchased or leased on or after October 22, 2004, the refund is the lesser of:

- 30% of the tax paid on the purchase or lease of the shuttle bus, or
- \$5,000.

For *alternative fuel passenger buses* (seating capacity of 30 or more passengers), the refund is the lesser of:

- 30% of the tax paid on the purchase or lease of the passenger bus, or
- \$10,000 after July 31, 2001 (\$5,000 prior to July 31, 2001).

To claim a refund, complete the *Application for Refund of Social Service Tax Paid on a Motor Vehicle* form (**FIN 413 MV**). This form is available from the ministry or any Service BC Centre. You will also find it on our website at www.sbr.gov.bc.ca/individuals/Consumer_Taxes/Provincial_Sales_Tax/forms.htm

Include the following with your claim.

- A copy of the registration certificate showing the make, model, year and fuel type of the vehicle.
- If the vehicle is purchased, a copy of the bill of sale indicating the date of purchase and the amount of tax paid. If the vehicle is leased, a copy of the lease agreement showing the date the lease was entered into, the term of the lease, and the lease price, as well as copies of lease invoices showing the amount of tax paid.
- Documentation from the dealer confirming the type of fuel the vehicle is designed to consume.

Forward your refund claim to:

Consumer Taxation Branch
Refund Section
PO Box 9628, Stn Prov Govt
Victoria BC V8W 9N6

All refund claims must be submitted within four years from the date the tax was paid.

Vehicles Converted to Alternative Fuel Use

Natural Gas or Propane Conversion Kits

Purchases of kits to convert motor vehicles and stationary engines to operate on natural gas or propane are exempt from PST.

This exemption applies to all parts used in converting an internal combustion engine from gasoline or diesel to natural gas or propane. Such items include the mixer, adapter, regulator, converter, fuel lock-off, pressure release valve, engine supply tank, piping, and brass fittings.

Tax applies to any parts that may be installed at the same time as the conversion, but are not related to the conversion.

Electric Conversion Kits

Purchases of kits to convert motor vehicles to operate exclusively on electricity are exempt from PST. This exemption applies to all parts that are required to enable the vehicle to run on electricity. This includes motors, motor controllers, motor mounts, throttle pot boxes, contactors, fuses, circuit breakers, onboard battery chargers, charger interlock relays, fuel gauges, ammeters and shunts, welding cable and lugs, batteries, adapter plates and couplers, vacuum pump kits (for restoring power brakes), power steering kits (to restore power steering), controller cooling kits, upgraded charging systems, heater kits, rev systems, and reversing contactors.

Tax applies to any parts that may be installed at the same time as the conversion, but are not related to the conversion. This includes optional items such as battery watering systems, even if they may enhance the operation of the vehicle as an electric vehicle.

Installation of Natural Gas, Propane or Electric Conversion Kits

Tax does not apply to charges to install the natural gas, propane or electric conversion kits described in this section. This is regardless of whether the installer also sells the conversion kit to the customer or simply installs the customer's kit. Tax does apply to any other service that may be provided at the same time as the conversion, but is not related to the conversion.

To qualify for the exemption for charges to install the exempt kit when other taxable services are provided at the same time, the charge for installing the kit must be **separately** stated from the taxable services on the sales invoice.

Repair or maintenance services provided to exempt conversion kits, as well as the parts consumed in their repair or maintenance, are exempt from PST.

Hybrid Electric and HCNG Bus Conversions

Effective February 22, 2006, a refund is provided for tax paid on parts and labour to convert shuttle buses and passenger buses to operate as hybrid electric vehicles or to operate on HCNG (a blend of hydrogen and compressed natural gas). There is a maximum refund of \$5,000 for each shuttle bus conversion and \$10,000 for each passenger bus conversion.

The refund applies to all parts required for the vehicle to run as a hybrid electric vehicle or to operate on HCNG.

For hybrid electric conversions, this includes transmissions, electric motors, power-cells and all related parts necessary for the conversion.

For HCNG conversions, this includes transmissions; cooling, intake, air and exhaust piping; filters; hoses; fans; power steering pumps or motors; belt guards; mufflers; and all related parts necessary for the conversion.

Tax applies to any parts that may be installed at the same time as the conversion, but are not related to the conversion. Tax also applies to repair or maintenance services provided after the conversion.

To claim a refund, complete the *Application for Refund of Social Service Tax or Hotel Room Tax* form (**FIN 413**). This form is available from the ministry or any Service BC Centre. You will also find it on our website at:

www.sbr.gov.bc.ca/individuals/Consumer_Taxes/Provincial_Sales_Tax/forms.htm

Include documentation with your refund request, such as invoices, that show payment of the tax and the date the tax was paid.

Motor Fuel Tax Concessions

The following motor fuel tax concessions are provided to encourage the development of cleaner and more environmentally friendly motor fuels. For the purposes of the motor fuel tax concessions, motor vehicles are vehicles designed to

be self-propelled on land, including cars, trucks, vans, sport utility vehicles and other vehicles of this type.

Alcohol-Based Fuels and Natural Gas

Natural gas and alcohol-based fuels (blends of gasoline or diesel fuel and at least 85% ethanol or methanol) are exempt from motor fuel tax when purchased to propel a motor vehicle.

Propane

Propane purchased for use in operating a motor vehicle or operating a stationary engine is subject to tax under the *Motor Fuel Tax Act*. Effective March 1, 2003, the tax rate on propane is 2.7¢ per litre, resulting in a preferential tax rate for propel a motor vehicle.

Ethanol

Effective July 1, 2004, the ethanol portion, including denaturant, of an ethanol/gasoline or gasoline/diesel blend is exempt from tax if the ethanol portion is not less than 5% or more than 25% of the volume of the blend.

Biodiesel

Effective February 21, 2007, biodiesel fuel is exempt from tax. This exemption includes the biodiesel portion of any blend of biodiesel fuel and diesel fuel, as well as pure biodiesel (B100) fuel. Biodiesel fuel means a fuel that is made up of mono-alkyl esters of long chain fatty acids derived from plant or animal matter.

Effective February 20, 2008, biodiesel and ethanol used as coloured fuel, marine diesel, locomotive fuel, jet fuel or aviation fuel are exempt from tax. This includes the portion used in any biodiesel fuel blend and any ethanol blend in which the ethanol portion is from 5% to 25%. Previously, biodiesel and ethanol were only exempt from tax when they were used in motor vehicles on a highway.



Need more info?

Telephone (Vancouver): 604 660-4524

Toll free in Canada: 1 877 388-4440

E-mail: CTBTaxQuestions@gov.bc.ca

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. The *Social Service Tax Act* and *Motor Fuel Tax Act* and Regulations are on our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/consumer_taxes.htm

References: *Social Service Tax Act*, Sections 6, 20, 75(2) and 130(b.1), and Regulations 2.45(b), and 3.20(l) and Division 11; *Motor Fuel Tax Act*, Sections 3.1, 9 and 10.1, and Regulations 51.1, 51.2 and 51.3